
Lehman Brothers UK Holdings Limited – In Administration

Joint Administrators' progress
report for the period 29 March to
28 September 2012

26 October 2012

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the eighth progress report by the Joint Administrators (the "Administrators") of Lehman Brothers UK Holdings Limited ("LBUKH" or the "Company").

This report provides an update on the work the Administrators have undertaken and the progress made since our appointment, with particular focus on the progress made in the six months to 28 September 2012.

Objectives of the Administration

The Administrators are pursuing the objective of achieving a better result for the creditors of LBUKH as a whole, than would be likely if the Company were wound up (without first being in Administration).

The specific aim of this Administration is to protect and control any return on the Company's investments in subsidiaries and intercompany book debts, for the benefit of the unsecured creditors of LBUKH.

Outcome for creditors

Due to the complexity of the intercompany relationships and the impact of insolvencies on intercompany debtor and creditor balances, the Administrators remain uncertain of the timing and quantum of any dividend to unsecured creditors.

Pension Liability

As reported previously, in July 2011 the Court of Appeal heard the Joint Administrators' appeal against a Financial Support Direction ("FSD") ranking as an expense of the Administration. The Court of Appeal Judgment was handed down on 14 October 2011 and upheld the original decision.

The Court of Appeal gave leave for appeal to the Supreme Court and that appeal has now been filed. The Administrators have been advised that the Supreme Court hearing has been listed for May 2013.

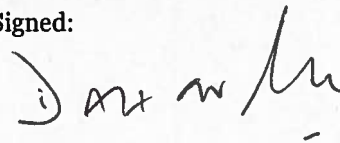
The Upper Tribunal hearing to review the findings of the Pensions Regulator Determination Panel that LBUKH should be subject to an FSD has been stayed and is likely to remain so until the Supreme Court appeal is heard.

It will therefore be a significant period of time before any potential liability against the Company can be quantified.

Future reports

The Administrators will next report to creditors in approximately six months.

Signed:



DA Howell
Joint Administrator
Lehman Brothers UK Holdings Limited

AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and DA Howell were appointed as Joint Administrators of Lehman Brothers UK Holdings Limited to manage its affairs, business and property as agents without personal liability. AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and DA Howell are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

The Joint Administrators are Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the Administration.

Section 2 Joint Administrators' actions to date

Overview

LBUKH acted as the holding company and funding vehicle for Lehman Brothers Holdings plc ("LBH") and Lehman Brothers (PTG) Limited relying on the provision of monies from its parent Lehman Brothers Luxembourg Investments S.A.R.L.

Administrators' actions to date

On 11 October 2011, the Administrators entered into a settlement agreement with Lehman Brothers Holdings Inc ("LBHI") and certain other affiliates previously subject to Chapter 11 proceedings in the USA in conjunction with other UK affiliates. The Plans of Reorganisation became effective on 6 March 2012 following approval from court.

Pursuant to this agreement LBUKH had its guarantee claim against LBHI agreed at \$608,943,967 and its direct claim agreed at \$10,645.

As previously reported, the first distribution from LBHI was made on 17 April 2012 and LBUKH received c\$27.4m. A further dividend of c\$18.5m was received on 1 October 2012, being after the date covered by this report.

Outstanding matters

The Administrators will continue their work to realise the intercompany investments and debtors of LBUKH. This will include providing evidence in support of claims to its debtors.

Section 3 Statutory and other Information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court - case 8445 of 2008
<i>Full name:</i>	Lehman Brothers UK Holdings Limited
<i>Trading name:</i>	Lehman Brothers UK Holdings Limited
<i>Registered number:</i>	02074637
<i>Registered address:</i>	Level 23, 25 Canada Square, London E14 5LQ, United Kingdom
<i>Company directors:</i>	D Gibb (resigned 17/07/09), IM Jameson (resigned 17/07/09) and AJ Rush (resigned 28/10/08).
<i>Company secretary:</i>	M Smith (resigned 25/01/10), P Dave (resigned 25/01/10), ESE Upton (resigned 25/01/10)
<i>Shareholdings held by the directors and secretary:</i>	None of the directors own shares in LBUKH
<i>Date of the Administration appointment:</i>	29 September 2008
<i>Administrators' names and addresses:</i>	AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and DA Howell, of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT
<i>Appointer's name and address:</i>	The directors of the Company, 25 Bank Street, London E14 5LE
<i>Objective being pursued by the Administrators:</i>	Achieving a better result for LBUKH's creditors as a whole than would be likely if LBUKH were wound up (without first being in Administration)
<i>Division of the Administrators' responsibilities:</i>	In relation to paragraph 100(2) Sch.B1 IA86, during the period for which the Administration is in force, any act required or authorised under any enactment to be done by any or all of the Joint Administrators may be done by any one or more of the persons for the time being holding that office.
<i>Details of any extensions of the initial period of appointment:</i>	The Court has granted a further extension to the Administration to 30 November 2013.
<i>Proposed end of the Administration:</i>	The Administrators are not yet in a position to determine the most likely exit route from the Administration and wish to retain the options available to them.
<i>Estimated dividend for unsecured creditors:</i>	It is too early to estimate the likely dividend for unsecured creditors.
<i>Estimated values of the prescribed part and LBUKH's net property:</i>	There is no prescribed part, as there is no qualifying floating charge.
<i>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:</i>	Not applicable as there is no prescribed part.
<i>The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):</i>	The European Regulation on Insolvency Proceedings does apply to this Administration and these are the main proceedings.

Section 4 Financial Information

Administrators' remuneration

In August 2011, the Administrators requested and received consent from the creditors of the Company for the Administrators' time costs to be fixed by reference to the time properly given by them and the various grades of their staff.

Attached at Section 6 is a summary of the Administrators' time costs for the period 1 March to 31 August 2012, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed. Creditors have previously been provided with details of the Administrators' time costs for the period 29 September to 29 February 2012.

Total time costs for the period 1 March to 31 August 2012 are £20,752, which comprises 63.35 hours at an average hourly rate of £328.

To date, remuneration of £168,840 plus VAT has been drawn in respect of all time costs to 30 April 2011.

The Administrators will seek formal confirmation from creditors that they may draw further remuneration with their next six monthly report.

Receipts and payments account

A loan has been made from LBUKH to Lehman Brothers Limited ("LBL") in respect of apportioned costs, due to LBL, in respect of the costs incurred by LBL in completing VAT returns for the whole of Lehman UK VAT Group, as Group leader. The loan will be repaid by LBL should creditors' not agree to the Administrators drawing their remuneration.

An account of Receipts and Payments is shown in Section 5.

Net receipts to 28 September 2012 amount to £17.3m, including £28k earned in interest.

Section 5 Receipts and Payments Account

	As at 28 September 2012		As at 28 March 2012		Movements	
	GBP (£)	USD (\$)	GBP (£)	USD (\$)	GBP (£)	USD (\$)
Receipts						
Dividend from LBHI	-	27,473,184	-	-	-	27,473,184
Book debts	10,753	-	10,753	-	-	-
Recharge of tax function costs	32,886	-	33,313	-	(427)	-
Tax repayment	6,404	-	5,495	-	909	-
Interest	28,410	-	585	-	27,825	-
Total Receipts	78,453	27,473,184	50,146	-	28,307	27,473,184
Payments						
Legal fees	9,464	-	9,464	-	-	-
Payment for tax losses	3,535	-	3,160	-	375	-
Employee costs	1,781	-	1,487	-	294	-
Bank charges	-	47	-	-	-	47
Joint administrators' remuneration	168,840	-	-	-	168,840	-
Joint administrators' category 1 disbursements	1,618	-	-	-	1,618	-
Loan to Lehman Brothers Limited in respect of VAT	1,128	-	1,128	-	-	-
Input VAT	28,027	-	104	-	27,923	-
Total Payments	214,393	47	15,343	-	199,050	47
Net Position	(135,940)	27,473,137	34,803	-	(170,743)	27,473,137
Intracompany Transfer						
Payment	-	(27,472,100)	-	-	-	(27,472,100)
Receipt	17,192,628	-	-	-	17,192,628	-
Net Position	17,056,688	1,037	34,803	-	17,021,885	1,037
Cash Balances						
HSBC (Non-interest bearing)	101,772	1,037	34,803	-	66,968	1,037
Money Markets	16,954,916	-	-	-	16,954,916	-
Total Cash	17,056,688	1,037	34,803	-	17,021,885	1,037

Based on exchange rates at 28 September 2012, the cash in hand is equivalent to GBP £17,057,331.

Section 6 Joint Administrators' time costs for the period 1 March to 31 August 2012

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total hours	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	-	-	0.50	207	5.30	1,341	5.50	1,210	11.30	2,758
Administration and Planning	1.10	922	13.90	5,903	1.10	362	7.10	1,562	23.20	8,749
Creditors	-	-	1.10	455	2.60	723	-	-	3.70	1,178
Statutory and Compliance	-	-	2.60	1,147	1.30	450	14.50	3,190	18.40	4,786
Tax and VAT	1.80	1,849	1.10	518	-	-	3.20	704	6.10	3,071
L.B.L. Recharges	0.01	5	0.27	110	0.28	74	0.10	21	0.65	210
Grand Total	2.91	2,776	19.47	8,340	10.58	2,950	30.40	6,687	63.35	20,752

Current charge out rates Grade	Business Recovery Services		Specialist	
	Max £/hr	Max £/hr	Max £/hr	Max £/hr
Partner	838	1,027		
Director	639	932		
Senior manager	492	869		
Manager	414	634		
Senior Associate	346	389		
Associate/Support Staff	220	204		

The Administrators' remuneration has been fixed by reference to the time properly given by the joint administrators and their staff in attending to matters arising in the administration. The maximum unit for time charged by the Joint Administrators and their staff is 0.1 of an hour.

* Specialist departments within PricewaterhouseCoopers LLP, such as Tax, VAT and Pensions, do sometimes charge a small number of hours, should we require their expert advice. Their rates do vary, however, the figures shown give an indication of the maximum rate per hour. In common with all professional firms, the scale rates used by the Joint Administrators from PricewaterhouseCoopers LLP may periodically rise (for example to cover an annual inflation cost increase) over the period of the Administration. Any material amendments to these rates will be advised to the creditors in the next statutory report.

Narrative of the Joint Administrators' time costs for the period 1 March to 31 August 2012

Accounting and treasury - £2,758

- Undertaking receipts and payments; and
- Preparing bank reconciliations.

Administration and planning - £8,749

- Review of intercompany relationships;
- Discussions regarding strategy for the administration; and
- Corresponding with creditors in relation to resolutions for Administrators' remuneration.

Asset Realisations - £1,178

- Dividend distribution from LBHI.

Reporting, Statutory and other compliance – £4,786

- Preparation of Administrators' seventh progress reports;
- Circulate progress report to creditors;
- Statutory filings at Companies House and Court;
- Prepare receipts and payments account for reports to creditors;
- Prepare detailed remuneration summary;
- Analyse timesheets for completeness and accuracy;
- Fee analysis and preparing billing paperwork;
- Manage the LBUKH database; and
- Liaise with Administrators on statutory issues.

Tax and VAT - £3,071

- Dealing with tax and VAT queries;
- Preparation of VAT returns; and
- Preparation of Corporation Tax returns.

LBL recharges - £210

- This is an apportionment of the costs incurred by Lehman Brothers Limited associated with the administration companies.